

CSG SYSTEMS INTERNATIONAL INC
Form 10-Q
May 08, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-27512

CSG SYSTEMS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction)
of incorporation or organization)

47-0783182
(I.R.S. Employer
Identification No.)

9555 Maroon Circle
Englewood, Colorado 80112
(Address of principal executive offices, including zip code)

(303) 200-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Shares of common stock outstanding at May 4, 2009: 35,121,524

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FORM 10-Q For the Quarter Ended March 31, 2009

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Table of Contents**CSG SYSTEMS INTERNATIONAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED**

(in thousands, except share and per share amounts)

	March 31, 2009	December 31, 2008 (Note 2)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 84,430	\$ 83,886
Short-term investments	35,915	57,331
Total cash, cash equivalents and short-term investments	120,345	141,217
Trade accounts receivable-		
Billed, net of allowance of \$2,831 and \$2,999	130,210	120,278
Unbilled and other	10,436	9,210
Deferred income taxes	10,605	12,755
Other current assets	6,235	4,468
Total current assets	277,831	287,928
Property and equipment, net of depreciation of \$83,156 and \$80,854	50,622	42,594
Software, net of amortization of \$37,091 and \$36,385	10,943	9,835
Goodwill	105,297	103,971
Client contracts, net of amortization of \$114,777 and \$112,675	34,290	34,244
Other assets	5,694	6,199
Total assets	\$ 484,677	\$ 484,771
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Client deposits	\$ 30,864	\$ 28,629
Trade accounts payable	25,522	22,943
Accrued employee compensation	14,721	22,997
Deferred revenue	18,295	11,487
Income taxes payable	170	4,301
Other current liabilities	12,046	12,896
Total current liabilities	101,618	103,253
Non-current liabilities:		
Long-term debt, net of unamortized original issue discount of \$20,568 and \$24,512	164,732	175,788
Deferred revenue	9,842	9,914
Income taxes payable	5,527	5,132
Deferred income taxes	24,611	20,338
Other non-current liabilities	5,426	5,659
Total non-current liabilities	210,138	216,831
Total liabilities	311,756	320,084
Stockholders' equity:		

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Preferred stock, par value \$.01 per share; 10,000,000 shares authorized; zero shares issued and outstanding		
Common stock, par value \$.01 per share; 100,000,000 shares authorized; 35,111,103 and 34,720,191 shares outstanding	636	629
Additional paid-in capital	396,770	397,441
Treasury stock, at cost, 28,456,808 and 28,206,808 shares	(675,623)	(671,841)
Accumulated other comprehensive income (loss):		
Unrealized gain on short-term investments, net of tax	96	241
Unrecognized pension plan losses and prior service costs, net of tax	(919)	(919)
Accumulated earnings	451,961	439,136
Total stockholders' equity	172,921	164,687
Total liabilities and stockholders' equity	\$ 484,677	\$ 484,771

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**CSG SYSTEMS INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED**

(in thousands, except per share amounts)

	Quarter Ended	
	March 31, 2009	March 31, 2008 (Note 2)
Revenues:		
Processing and related services	\$ 114,728	\$ 104,169
Software, maintenance and services	8,818	9,427
Total revenues	123,546	113,596
Cost of revenues (exclusive of depreciation, shown separately below):		
Processing and related services	58,865	53,137
Software, maintenance and services	6,402	5,215
Total cost of revenues	65,267	58,352
Other operating expenses:		
Research and development	17,151	15,872
Selling, general and administrative	13,818	12,422
Data center transition expenses	1,389	
Depreciation	4,240	3,637
Restructuring charges	102	56
Total operating expenses	101,967	90,339
Operating income	21,579	23,257
Other income (expense):		
Interest expense	(1,573)	(1,731)
Amortization of original issue discount	(2,225)	(2,416)
Gain on repurchase of convertible debt securities	1,468	
Interest and investment income, net	482	1,579
Other, net		14
Total other	(1,848)	(2,554)
Income before income taxes	19,731	20,703
Income tax provision	(6,906)	(7,375)
Net income	\$ 12,825	\$ 13,328
Net income attributed to each class of common stock and participating security:		
Common stock	\$ 12,321	\$ 12,771
Participating restricted stock	504	557
Total	\$ 12,825	\$ 13,328

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Weighted-average shares outstanding - Basic:		
Common stock	33,070	33,084
Participating restricted stock	1,352	1,442
Total	34,422	34,526

Weighted-average shares outstanding - Diluted:		
Common stock	33,113	33,108
Participating restricted stock	1,352	1,442
Total	34,465	34,550

Earnings per share - Basic and Diluted:		
Common stock	\$ 0.37	\$ 0.39
Participating restricted stock	\$ 0.37	\$ 0.39
Total	\$ 0.37	\$ 0.39

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**CSG SYSTEMS INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED****(in thousands)**

	Quarter Ended	
	March 31, 2009	March 31, 2008 (Note 2)
Cash flows from operating activities:		
Net income	\$ 12,825	\$ 13,328
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation	4,240	3,637
Amortization	2,963	4,981
Amortization of original issue discount	2,225	2,416
Gain on short-term investments and other	(192)	(62)
Gain on repurchase of convertible debt securities	(1,468)	
Deferred income taxes	6,978	4,795
Excess tax benefit of stock-based compensation awards	(137)	(143)
Stock-based employee compensation	3,015	2,586
Changes in operating assets and liabilities:		
Trade accounts and other receivables, net	(11,137)	(11,332)
Other current and non-current assets	(2,145)	(3,168)
Income taxes payable/receivable	(4,495)	3,133
Trade accounts payable and accrued liabilities	(3,149)	(1,039)
Deferred revenue	6,490	1,720
Net cash provided by operating activities	16,013	20,852
Cash flows from investing activities:		
Purchases of property and equipment	(10,024)	(3,951)
Purchases of short-term investments	(2,937)	(5,818)
Proceeds from sale/maturity of short-term investments	24,400	9,150
Acquisition of businesses, net of cash acquired	(6,296)	(843)
Acquisition of and investments in client contracts	(1,489)	(1,465)
Net cash provided by (used in) investing activities	3,654	(2,927)
Cash flows from financing activities:		
Proceeds from issuance of common stock	264	246
Repurchase of common stock	(6,047)	(1,281)
Payments on acquired equipment financing	(248)	
Repurchase of convertible debt securities	(13,229)	
Excess tax benefit of stock-based compensation awards	137	143
Net cash used in financing activities	(19,123)	(892)